



THE OPPORTUNITIES FOR SME RETAILERS TO GROW NON-LINEARLY!

The e-commerce boom has started deflating the second time in as many decades; hyper valuations are coming back to terra firma, easy funding is no longer easy, discounts are getting discounted, and retaining satisfied customers has become the prime focus for retailers

By Arun Gupta

Death knell for the Mom and Pop shops, the small retailer who has been the mainstay of growth, sounded and faded away rather quickly. Political patronage aside, the kirana shop, apparel retailers, jewellers, shoe shops, utensil stores, and all other formats of entrepreneur family owned multi-generational businesses have rediscovered their niche in the economy.

Large format retailers and those with geographically spread large footprints invested in scale and presence with automated and technology enabled warehousing; supply chain optimization became the need for cost optimization to make true the self-fulfilling prophecy of discounts driving sales. After burning cash the goal of profitable growth remaining elusive; the tightening is now showing early signs of results for bricks and clicks. Ad interim, the small retailer fighting for survival found succor in the investments the big brothers made; picking up merchandise from the big retailers turned out better than buying from distributor and manufacturers.

So what are the opportunities for small and medium retailers to thrive in the future? Triggered by hype and the new digital economy dynamics which has seemingly created a level playing field, many of the current generation shopkeepers found new avenues and channels to expand their reach and presence. Cost of going digital continues to drop; participation in marketplaces is facile and many have already taken advantage of this. Rapidly expanding mobile internet access is driving consumer behavior; retailers have to build new relationships on 5" screen with apps that offer convenience, stickiness, and value to the customer.

The young generation is the mobile first generation; they whip out their smartphones at the slightest trigger willing to devour data to take informed decisions. They are also highly motivated to partake in social engagements extending beyond friends, easily swayed by opinion and fickle of mind. Their idea of loyalty is someone bestowing favors on them to get their business and not the other way around to offer their loyalty to retailers. Brand loyalty is selective and limited to specific products or services. The uber consumers of tomorrow offer a challenge and opportunity to the agile retailer who is willing to sieve through patterns of behavior.

On the other hand the older consumer may still approach technology conservatively, reluctant to shed apprehensions to try the ubiquitous omnipresence technologies that threatens to disrupt current and future business ideas. For retailers who built their business one customer at a time with a personal touch, the in your face technology first approach is discomforting. Cross-selling and upselling came easily based on trust between the consumer and the shopkeeper. Know your customer was personified by the smile, first name greeting and understanding of buying patterns and behavior that analytics and big data struggles to solve for large retailers.

Value seekers straddle both the young and old, their primary driver – discounts! Whoever offers a lower price, gets their business; opportunistically they shift allegiance not bothered about creating or building loyalty to anyone except their wallets. In the early days of retail, the market segmented between retailers who wanted to vie for the consumers seeking the lowest prices. Events were created around low price points, driving consumers in hordes to hoard cheap merchandise with an expectation to use later when needed. Price is rarely a sustainable differentiator and retailers are getting wiser to profitability.

Where should small retailers invest their time, effort and money? How do they choose one over the other; should it be two different strategies pitted against each other, or two pronged approach

Plethora of choices make the decision tricky;
almost every solution provider appears to have the answer to stated and unstated needs.

to straddle across? Conventional needs to coexist with and evolve to the new omnichannel to cater to the wide spectrum that cuts across generations at their terms; technology will not solve all problems though it does create new ways of reaching out to consumers; e.g. the person dependent customer engagement paradigm can be better managed; fill rates improved, inventory turns increased, cash flow improved, and cater to a larger untapped market.

Unfortunately technology alone cannot solve world hunger or in this case ensure survival and growth for retailers of all shapes, sizes and segments. Plethora of choices make the decision tricky; almost every solution provider appears to have the answer to stated and unstated needs. Most of the solutions end up being shelf-ware for variety of reasons, primarily due to bad choices or challenged implementations. For the small retailers the challenge is also about management bandwidth and ability to invest in technology that brings benefit for their small business, making a difference to themselves and their customers.

Long tail retail, endless aisles, magic mirrors, persistent carts, market basket analytics driven cross-sell, customer specific coupons, connected channels for pick and return, convenience across wallets, these are all technology

driven business opportunities and customer engagement tools. In varied degrees retailers have experimented and embraced them; results though not consistent have been largely encouraging for the provider, retailer and the consumer. Fungible and undifferentiated loyalty points and benefits are no longer magnets of attraction. Social engagement and customer retention is becoming an important need.

So what does the future foretell? How can retailers increase their chances of success? What will help them reach the scale that is their potential? Limited funds, resources and the fast paced change create paralysis favoring “no decision”. Coopetition and leveraging industry experts is a small step forward, driven by specific identified business outcomes and commitment to change that may threaten to disrupt business as usual. Technology is necessary to stay afloat; it is also means to find competitive differentiators. Keep learning, keep experimenting, keep engaging the customer, keep discovering new avenues, be the disruptor.

Status quo is not an option; you can learn from others’ mistakes, but where do you stop learning and start acting? **R**

About the author:

*Arun Gupta, Managing Partner & Director,
Ingenium Advisory*

